

Message Text

PAGE 01 SAIGON 03547 01 OF 02 270311Z

72

ACTION AID-59

INFO OCT-01 EA-06 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

TRSE-00 AGR-05 COME-00 FRB-03 DODE-00 NSC-05 L-02

IO-10 /105 W

----- 125507

R 261004Z MAR 75

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 4160

LIMITED OFFICIAL USE SECTION 1 OF 2 SAIGON 3547

PASS NSC, TREASURY

E.O. 11652: N/A DECON 3/26/76

TAGS: EFIN VS

SUBJECT: IMF AIDE MEMOIRE AND FINANCIAL OUTLOOK FOR 1975

REF: A. STATE 056997; B. SAIGON 02423; C. SAIGON 02239;

D. STATE 024098; E. SAIGON 2917; F. SAIGON 0484

1. MISSION POUCHED COPY OF IMF AIDE MEMOIRE TO AID/W (EA/VN-MR. MOSER) PER REFTEL (A) REQUEST. REFTEL (B), PART III, SUMMARIZED AIDE MEMOIRE AND OFFERED OUR COMMENT.

2. WE UNDERSTAND THAT GVN WAS INELIGIBLE FOR LOAN UNDER 1974 IMF OIL FACILITY BECAUSE RESERVES ROSE LAST YEAR. HOWEVER, GVN WAS HOPING TO QUALIFY FOR SHARE OF 1975 OIL FACILITY SINCE PROJECTION IT PRESENTED TO IMF TEAM SHOWED \$65 MILLION RESERVE DECLINE THIS YEAR. OUR INTERPRETATION OF AIDE MEMOIRE AND SUBSEQUENT DISCUSSION WITH IMF RESIDENT REPRESENTATIVE SUGGEST THAT IMF CONSULTING TEAM RECOMMENDED AGAINST 1975 OIL FACILITY LOAN FOR OTHER THAN BALANCE OF PAYMENTS REASONS.

3. AS WE UNDERSTAND CRITERIA FOR 1975 OIL FACILITY, APPLICANT COUNTRY MUST NOT ONLY DEMONSTRATE BALANCE OF PAYMENTS NEED, BUT MUST ALSO PERSUADE FUND EXECUTIVE BOARD IT HAS SOUND "FINANCIAL PROGRAM"

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAIGON 03547 01 OF 02 270311Z

THE FINANCIAL PROGRAM INCLUDES FISCAL, CREDIT AND FOREIGN EXCHANGE POLICIES.

4. FINAL PARAGRAPH AIDE MEMOIRE, QUOTED IN REFTEL C, INDICATES THAT

CONSULTING TEAM NOT SATISFIED WITH GVN RESPONSE TO "DIFFICULT" ECONOMIC SITUATION IN 1975. IMF TEAM WAS APPARENTLY DISTURBED BY THE 47 PERCENT MONEY SUPPLY EXPANSION THAT GVN AUTHORITIES PROJECT THIS YEAR, EVEN AFTER PROPOSED POLICIES. (SEE ATTACHMENT TO AIDE MEMOIRE.) THEY EXPECT THAT SUCH A LARGE MONETARY INCREASE WOULD LEAD TO UNACCEPTABLE PRICE INFLATION ON THE ORDER OF 58-60 PERCENT. THEY JUDGED THAT THE GVN COULD BE DOING MORE TO RESTRAIN MONETARY GROWTH THROUGH SUCH MEASURES AS INCREASED POL TAXES, QUICKER EXCHANGE RATE DEVALUATION, REDUCED BUDGET EXPENDITURES ON DEVELOPMENT AND RICE/FERTILIZER SUBSIDIES, AND HIGHER INTEREST RATES.

5. THE AIDE MEMOIRE COINCIDES WITH THE THINKING OF THE IMF RESIDENT REPRESENTATIVE, GUNNAR TOMASSON, WHO HAS BEEN PREDICTING IMMINENT FINANCIAL DISASTER FOR THE LAST TWO YEARS. SHORTLY AFTER THE IMF TEAM DEPARTED, TOMASSON SENT A STINGING MEMORANDUM TO THE GVN ENTITLED "ECONOMIC STRATEGY FOR NATIONAL SURVIVAL." IN IT HE CASTIGATED THE GOVERNMENT FOR THE "TOTAL FAILURE" OF ECONOMIC POLICY SINCE 1973. HE PERCEIVES THAT THE GROWING BUDGET DEFICIT WILL SOON (PERHAPS IN A MATTER OF MONTHS) LEAD TO RUNAWAY INFLATION SIMILAR TO THE INDONESIAN AND CHILEAN MODELS. TOMASSON RECOMMENDED DRASTIC ACTIONS, TO WIT, MAJOR CURRENCY DEVALUATION, HIGHER INTEREST RATES, BUDGET SLASHING, FLOATING RICE PRICES, DOUBLING OF POL AND FERTILIZER PRICES.

6. EVEN BEFORE THE LATEST COMMUNIST OFFENSIVE BEGAN, OUR OWN EVALUATION OF THE FINANCIAL SITUATION DIFFERED IN MAJOR RESPECTS FROM THE IMF FORMULATION. ON BALANCE, WE BELIEVED THAT THE GVN WAS RESPONDING ADEQUATELY TO ITS CURRENT ECONOMIC PROBLEMS, THOUGH WE AND THE GVN SHARED THE IMF'S CONCERN ABOUT THE GROWING BUDGET DEFICIT AND THE NEED TO REVIVE EXPORTS. WE BELIEVED, HOWEVER, THAT THE SEVERE MEASURES RECOMMENDED BY THE IMF TEAM WOULD EXACERBATE RATHER THAN EASE THE CURRENT RECESSION. THUS, THE MISSION AGREED WITH THE GVN THAT EXPANSIONARY POLICIES -- ESPECIALLY REGARDING CREDIT -- WERE APPROPRIATE AT THE TIME TO COPE WITH THE TWO MOST IMMEDIATE ECONOMIC PROBLEMS, UNEMPLOYMENT AND SLUGGISH AGGREGATE DEMAND. WE WERE NOT CONVINCED THAT THE HIGHER RATE OF MONETARY GROWTH THAT EVERYONE PROJECTED WOULD PROVOKE SHARP PRICE RISES IN THE SHORT RUN.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAIGON 03547 01 OF 02 270311Z

ON THE CONTRARY, SUBSTANTIAL EXCESS INDUSTRIAL CAPACITY AND HIGH UNEMPLOYMENT SUGGESTED THAT PROJECTED MONETARY EXPANSION WOULD INDUCE AN INCREASE IN OUTPUT AND INVESTMENT WITHOUT SERIOUSLY AGGRAVATING INFLATION.

7. NOW, HOWEVER, THE COMMUNIST OFFENSIVE HAS FORCED A SUSPENSION OF THE ECONOMIC POLICY DEBATE, AT LEAST INSOFAR AS IT CONCERNS THE ISSUES RAISED IN THE IMF AIDE MEMOIRE. EVEN WITHOUT THE OFFENSIVE, CONGRESSIONAL ACTION SLASHING ECONOMIC ASSISTANCE WELL BELOW OUR ALREADY MODEST EXPECTATIONS WOULD HAVE LED US TO RE-EXAMINE THE ASSUMPTIONS UNDERLYING OUR POLICY VIEW. ANY ATTEMPT AT FURTHER DISCUSSION OF GROWTH POLICIES MUST INCLUDE A LARGE CAVEAT: THAT THE

MILITARY SITUATION SOON STABILIZES AND BEGINS TO IMPROVE (IN LARGE PART A FUNCTION OF THE LEVEL OF US MILITARY ASSISTANCE). FOR THE RECORD, WE WILL BRIEFLY SUMMARIZE BELOW OUR INTERPRETATION OF ECONOMIC DEVELOPMENTS BETWEEN 1972-74, BECAUSE THE DIFFERENCES WE HAVE WITH THE IMF ON POLICY GROW OUT OF THAT ANALYSIS. THEN WE WILL RISK TAKING A HIGHLY QUALIFIED LOOK AT TT BALANCE OF PAYMENTS THIS YEAR, CHIEFLY TO IDENTIFY THE MANY UNCERTAINTIES INVOLVED.

8. HOW WE GOT HERE. THE VIETNAMESE ECONOMY HAS UNDERGONE A SEVERE CONTRACTION SINCE EARLY 1972 WHEN THE NVA OFFENSIVE OF THAT YEAR COMPOUNDED THE EFFECTS OF THE U.S. FORCE WITHDRAWAL WHICH HAD BEEN UNDERWAY SINCE 1969. UNDER THE BEST OF CIRCUMSTANCES, THE MASSIVE RESOURCE TRANSFER REQUIRED BY THE WITHDRAWAL WOULD HAVE PRESENTED A FORMIDABLE CHALLENGE TO ANY DEVELOPING ECONOMY. IN VIETNAM'S CASE, THE PROBLEM HAS BECOME INFINITELY MORE DIFFICULT. THE UNABATED WAR HAS STUNTED GROWTH AND FORCED THE GOVERNMENT TO CONTINUE DEMANDING ABOUT A QUARTER OF THE NATION'S REAL DOMESTIC RESOURCES FOR SECURITY-RELATED PURPOSES. MEANWHILE, WORLD PRICE INFLATION IN 1972-74, FOLLOWED BY WORLD RECESSION, HAS SHARPLY REDUCED THE REAL EXTERNAL RESOURCES AVAILABLE TO THE ECONOMY FOR DEVELOPMENT. AVERAGE IMPORT PRICES DOUBLED DURING 1972-74, CAUSING THE REAL VALUE OF VIETNAM'S IMPORTS TO DECLINE BY 35 PERCENT AND US ASSISTANCE, BY 46 PERCENT. SINCE IMPORTS REPRESENT ABOUT A THIRD OF THE GOODS AVAILABLE TO THE ECONOMY, THEIR INCREASED COST BECAME THE MAJOR FACTOR BEHIND THE HIGH INFLATION RATES OF THE PAST TWO YEARS. AS THE WORLD PRICE RISE SLOWED IN EARLY 1974, VIETNAM'S INFLATION RATE DECLINED SHARPLY (DURING THE 12-MONTH PERIOD ENDED MARCH 17, 1975, USAID'S CONSUMER PRICE INDEX ROSE 23 PERCENT, COMPARED TO 65 PERCENT IN CY 1973 AND 41 PERCENT IN CY 1974; THUS FAR IN CY 75, THE INDEX LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 04 SAIGON 03547 01 OF 02 270311Z

HAS RISEN AT AN ANNUAL RATE OF 25 PERCENT).

9. THIS INTERPRETATION OF RECENT PRICE PERFORMANCE VARIES WITH THE ANALYSIS OF THE IMF RESIDENT REPRESENTATIVE. TOMASSON ASCRIBES THE 1973-74 INFLATION MAINLY TO EXCESS AGGREGATE DEMAND ORIGINATING IN THE BUDGET DEFICIT. THUS, HE ARRIVES AT A SHORT RUN POLICY PRESCRIPTION WHICH WOULD FURTHER RESTRAIN AGGREGATE DEMAND. ON A GLOBAL SCALE, THE ARGUMENT OVER WHETHER BASICALLY COST-PUSH OR DEMAND-PULL FACTORS PROVOKED INFLATION DURING THE 73-74 PERIOD ASOMWHAT RESEMBLES THE CHICKEN-AND-THE-EGG PUZZLE. HOWEVER, IN THE VIETNAMESE CONTEXT IT MAKES SENSE TO US TO ARGUE THAT WORLD PRICE INFLATION IMPOSED SHARPLY HIGHER COSTS ON A SMALL COUNTRY WHOSE ECONOMY IS HEAVILY DEPENDENT ON IMPORTS. IT FORCED THE GOVERNMENT TO SPEND MORE IN AN ATTEMPT TO SECURE A CONSTANT AMOUNT OF REAL DOMESTIC RESOURCES. BUT EVEN AN 89 PERCENT INCREASE IN NOMINAL OUTLAYS WAS NOT ENOUGH TO PREVENT A SUBSTANTIAL DECLINE IN THE REAL VALUE OF THE BUDGET. PUBLIC SECTOR WAGES, WHICH COMPRISE HALF OF THE BUDGET, FELL 28 PERCENT IN REAL TERMS. MEANWHILE, AFTER DOMESTIC REVENUES HAD RISEN SHARPLY IN REAL TERMS FOR TWO YEARS FOLLOWING THE 1971 TAX REFORMS, THE RECESSION LAST YEAR RESULTED IN

A SMALL REAL DECLINE IN COLLECTIONS.

10. 1975 BALANCE OF PAYMENTS OUTLOOK. GOVERNMENT RESTRICTIONS ON CREDIT AND LICENSING, TOGETHER WITH THE SLUMPING ECONOMY LED TO SHARPLY REDUCED IMPORT DEMAND IN 1974. GVN-FINANCED IMPORT PAYMENTS TOTALED ONLY \$196 MILLION, COMPARED TO \$284 MILLION IN 1973. THAT WAS AN IMPORTANT FACTOR BEHIND THE \$37 MILLION RESERVE INCREASE LAST YEAR. OVERALL IMPORT PAYMENTS ROSE 24 PERCENT TO \$887 MILLION LAST YEAR, THE RESULT OF HIGHER PRICES FOR KEY COMMODITIES SUCH AS POL AND RICE, AS WELL AS LATE ARRIVAL OF CIP COMMODITIES LICENSED THE YEAR BEFORE. EXPORTS, \$75 MILLION IN 1974, FELL SHORT OF EXPECTATIONS, BUT THE GVN RECEIVED A WINDFALL IN FINANCIAL RECEIPTS. LOCAL COMMERCIAL BANKS ACCEPTED \$54 MILLION IN FOREIGN CURRENCY NOTES, AND SIGNATURE BONUSES FROM OIL CONCESSIONS BROUGHT ANOTHER \$30 MILLION, RAISING NET INVISIBLE RECEIPTS TO \$140 MILLION.

11. GIVEN REASONABLY STABLE SECURITY CONDITIONS AND A FY 1975 US AID APPROPRIATION OF AT LEAST \$350 MILLION, THE GVN COULD HAVE EXPECTED LITTLE, IF ANY, DECLINE IN ITS FOREIGN EXCHANGE RESERVES THIS YEAR. BUT THE COMMUNIST OFFENSIVE AND CURRENT ECONOMIC AID PROSPECTS HAVE DECIDELY ALTERED THE OUTLOOK FOR THE WORSE.

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 05 SAIGON 03547 01 OF 02 270311Z

12. THE \$29 MILLION RESERVE DECLINE DURING JANUARY-FEBRUARY WAS DUE MAINLY TO ANNUAL PROFIT REPATRIATION BY FOREIGN COMPANIES AND A LAG IN POL REIMBURSEMENTS BY AID. NOT LONG AGO, WE THOUGHT THAT A PICK-UP IN POL REIMBURSEMENTS AND EXPORTS WOULD SOON ERASE THE 53.094-46 \$3;8,3. THAT HOPE NOW APPEARS UNREALISTIC, AND WE EXPECT THE RESERVE DRAWDOWN TO CONTINUE, REACHING ABOUT \$45 MILLION OR MORE BY JUNE 30 (SEE FORECAST BELOW).

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 01 SAIGON 03547 02 OF 02 262249Z

72

ACTION AID-59

INFO OCT-01 EA-06 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

TRSE-00 AGR-05 COME-00 FRB-03 DODE-00 NSC-05 L-02

IO-10 /105 W

----- 121048

R 261004Z MAR 75

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 4161

LIMITED OFFICIAL USE SECTION 2 OF 2 SAIGON 3547

PASS NSC, TREASURY

13. GIVEN THE MOUNTING UNCERTAINTIES ABOUT VIRTUALLY EVERY ASPECT OF THE BALANCE OF PAYMENTS -- EXPORTS, INVISIBLES, AID, IMPORT REQUIREMENTS -- IT IS IMPOSSIBLE TO PROJECT WITH CONFIDENCE THE RESERVE LEVEL AT MID-YEAR, NOT TO MENTION DECEMBER 31. OF THE GENERAL TREND, WE ARE REASONABLY CONFIDENT -- THAT THE GVN CANNOT AVOID A MAJOR RESERVE LOSS IN THE FIRST HALF OF 1975, AND THAT THE DECLINE COULD BECOME PRECIPITOUS IN THE SECOND HALF.

14. EXPORT EARNINGS, WHICH NOT LONG AGAO WERE EXPECTED TO EXCEED \$100 MILLION IN 1975, CANNOT NOW BE EXPECTED TO EQUAL LAST YEAR'S \$75 MILLION. FORESTRY PRODUCT SHIPMENTS WERE EXPECTED TO EARN \$24 MILLION, BUT DETERIORATING SECURITY CONDITIONS THREATEN TO CUT THAT FIGURE TO A NEGLIBIBLE AMOUNT. OTHER MAJOR SECTORS -- RUBBER, FISH-ERIES, TEA AND COFFEE -- ARE ALSO BEING DISRUPTED.

15. SIMILARLY, THE WIDENING WAR COULD WIPE OUT THE INVISIBLES SURPLUS. TOURISM AND INVESTMENT EARNINGS WILL BE OBVIOUS CASUALTIES, AND A PLANNED THIRD ROUND OF OIL CONCESSION BIDDING THIS YEAR MUST BE CONSIDERED IN DOUBT AT THIS MOMENT. LAST YEAR'S OIL LEASE AUCTION BROUGHT \$30 MILLION IN SIGNATURE BONUSES. FINALLY, AS LONG AS THE MACK MARKET DOLLAR PREMIUM REMAINS SUBSTANTIALLY ABOVE THE OFFICIAL EXCHANGE RATE, CURRENCY NOTE RECEIPTS WILL BE NEGLIGIBLE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAIGON 03547 02 OF 02 262249Z

16. THOSE LOSSES IN EARNINGS WILL BE PARTLY OFFSET BY A FURTHER CONTRACTION IN IMPORT DEMAND. GVN-FINANCED GENERAL IMPORT PAYMENTS IN THE FIRST HALF SHOULD TOTAL ABOUT \$70 MILLION, A SUBSTANTIAL DROP FROM THE ALREADY-DEPRESSED LEVEL OF \$79 MILLION IN THE SECOND HALF 1974. GVN IMPORT PAYMENTS IN THE SECOND HALF OF 1975 WILL DEPEND ON THE AVAILABILITY OF AID IMPORT FUNDING AND SECURITY CONDITIONS, BUT IN ANY CASE THE FULL-YEAR TOTAL SHOULD BE WELL BELOW LAST YEAR'S \$196 MILLION.

17. THE PROJECTED \$45 MILLION RESERVE DECLINE ASSUMES \$40 MILLION IN POL REIMBURSEMENTS DURING JANUARY-JUNE, THOUGH AS OF THIS WRITING MOST OF THAT AMOUNT REMAINS IN DOUBT. THROUGH FEBRUARY, REIMBURSEMENTS WERE ONLY \$5 MILLION, BUT USAID RECENTLY SENT AID/W POL RE-IMBURSEMENT STATEMENTS TOTALING \$35 MILLION. SHOULD ACTUAL REIMBURSEMENTS FALL SHORT OF \$40 MILLION, THE GVN RESERVE DECLINE WOULD RISE ABOVE THE \$45 MILLION PROJECTED IN PARAGRAPH 12 ABOVE.

18. THE DETAILED SECOND HALF OUTLOOK IS EVEN MORE UNCERTAIN, BUT AT THIS TIME THERE SEEMS TO BE VIRTUALLY NO CHANCE THAT THE RESERVE DECLINE WILL HALT. THE SECOND HALF DRAWDOWN COULD RANGE BETWEEN \$25-100 MILLION, DEPENDING ON THE FOLLOWING MAJOR VARIABLES:

A. EXPORTS - EARNINGS COULD PLUNGE THIS YEAR, REVERSING THE RISING TREND SINCE 1972.

B. OIL FEES - A THIRD ROUND OF CONCESSION BIDDING, IF FEASIBLE, COULD BRING AT LEAST \$35 MILLION IN SIGNATURE BONUSES.

C. US AID - THE ALLOCATION OF FUNDS AMONG GENERAL CIP LICENSING, FERTILIZER FINANCING, POL REIMBURSEMENTS, AND DIRECT DOLLAR SUPPORT WILL HAVE AN IMPORTANT SHORT RUN IMPACT ON GVN RESERVES. FUNDS FOR POL REIMBURSEMENT AND DIRECT DOLLAR SUPPORT WOULD PROVIDE IMMEDIATE BALANCE OF PAYMENTS RELIEF TO THE GVN, ADDING TO "FREE" FOREIGN EXCHANGE AVAILABLE FOR WORLD-WIDE PURCHASING. THOSE SAME FUNDS, IF COMMITTED TO GENERAL CIP LICENSING, WOULD SUBSTITUTE FOR GVN IMPORT FUNDING IN THE LONG RUN, BUT THE 6-12 MONTH AVERAGE DELIVERY TIMES (CF. 3 MONTHS ON GVN FUNDING), AS WELL AS RESTRICTIVE SOURCING, MAKE THIS LESS USEFUL TO THE GVN THAN POL REIMBURSEMENTS OR DIRECT DOLLARS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAIGON 03547 02 OF 02 262249Z

D. IMPORT REQUIREMENTS - IF THE ECONOMY CONTINUES TO SHRINK, POL, FERTILIZER, AND INDUSTRIAL RAW MATERIAL REQUIREMENTS COULD BE SUBSTANTIALLY SMALLER THAN PROJECTED IN REFTEL (F).

E. INVISIBLES - IF CAPITAL FLIGHT BECOMES AN IMPORTANT FEATURE OF THE ECONOMIC SCENE, INVISIBLE RECEIPTS WOULD BE EXPECTED TO DRY UP.

19. CONCLUSION- UNDER THE MOST HOPEFUL ASSUMPTION -- AN EARLY ACALING DOWN IN THE FIGHTING -- GVN RESERVES WILL PROBABLY DECLINE BY ABOUT \$70 MILLION THIS YEAR. A LOSS MUCH HIGHER THAN THAT -- UP TO \$140 MILLION -- IS NOT INCONCEIVABLE AT THIS POINT. EVEN MORE DISTURBING IS THE CERTAINTY THAT THIS MAJOR LOSS OF FOREIGN EXCHANGE WILL BE ACCOMPANIED BY A FURTHER UNAVOIDABLE CONTRACTION OF ECONOMIC ACTIVITY.

20. AS WITH OUR EARLIER BALANCE OF PAYMENTS PROJECTION, THE IMF AIDE MEMOIRE HAS ALREADY BEEN OVERTAKEN BY RECENT EVENTS ON THE BATTLE-FIELD AND BY CONGRESSIONAL ACTION FURTHER CUTTING ECONOMIC ASSISTANCE

.
IF THE IMF CONCLUSIONS WERE DEBATABLE WHEN WRITTEN A MONTH AGO, THEY SEEM LARGELY IRRELEVANT NOW. AT LEAST FOR THE TIME BEING, EXCHANGE AND INTEREST RATE POLICIES ARE RELATIVELY INEFFECTIVE AS ECONOMIC POLICY INSTRUMENTS. THE REASON IS THAT CONSUMER PREFERENCES FOR HOLDING VARIOUS MONETARY ASSETS OR TRADING THEM FOR GOODS MAY WELL BE DETERMINED IN THE COMING MONTHS BY FACTORS INDEPENDENT OF GOVERNMENT ECONOMIC POLICY -- NAMELY, THE COURSE OF THE WAR. CHANGES IN THESE PREFERENCES WILL EXERT A PROFOUND INFLUENCE ON SHORT RUN MONETARY AND PRICE DEVELOPEMNTS. MEANWHILE EXPORT AND INVESTMENT PROMOTION PROGRAMS ALSO HANG SUSPENDED IN THE FACE OF THE GVN'S FUNDAMENTAL STRUGGLE FOR SURVIVAL. THE DEVELOPMENT

BUDGET AND OTHER GOVERNMENT EXPENDITURES, ESPECIALLY MILITARY AND REFUGEE RELIEF, MUST BE REASSESSED. AND TAX COLLECTIONS ARE BOUND TO DECLINE, IN BOTH REAL AND NOMINAL TERMS, NO MATTER WHAT THE GOVERNMENT MIGHT DO TO TRY TO IMPROVE THEM.

21. THE OVERRIDING ECONOMIC PRIORITIES AT PRESENT ARE INSURING AN ADEQUATE SUPPLY OF ESSENTIAL COMMODITIES TO THE URBAN AREAS AND CARING FOR THE SWELL OF REFUGEES. WHEN THE BATTLEFIELD SITUATION STABILIZES, GOVERNMENT PLANNERS CAN BEGIN FOCUSING AGAIN ON APPROPRIATE MEASURES TO STIMULATE GROWTH. IN THE MEANTIME, THE LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 SAIGON 03547 02 OF 02 262249Z

SHORT-TERM FOREIGN EXCHANGE PROBLEM SHOULD BECOME CRITICAL LATER THIS YEAR, CREATING AN URGENT NEED FOR GVN ACCESS TO THE IMF OIL FACILITY, WHICH WE UNDERSTAND COULD PROVIDE VIET NAM ABOUT \$75 MILLION.

BALANCE OF PAYMENTS PROJECTION
(US\$ MILLIONS)

	1974	1975	
		JAN FEB	JAN-JUN
		(PROV.)	(EST.)
A. RECEIPTS	1,010	106	296
EXPORTS	75	11	30
INVISIBLES	226	22	56
(INTEREST)	(13)	(3)	(6)
(OIL FEES)	(30)	-	-
(CURRENCY NOTES)		(54)	-
(OTHER)	(129)	(19)	(50)
USAID	683	66	190
(PIASTER PURCHASES)		(97)	(14)
(DIRECT DOLLAR SUPPORT)		(3)	-
(POL REIMBURSEMENTS)		(93)	(5)
(FERTILIZER)	(90)	(16)	(45)
(OTHER CIP)	(197)	(26)	(40)
(PL-480)	(203)	(5)	(30)
OTHER DONOR BOP AID		26	7
			20
B. PAYMENTS	973	135	340
IMPORTS	887	105	285
(GVN GENERAL)		(196)	(23)
(AID FREIGHT)		(43)	(2)
(POL)	(132)	(21)	(65)
(FERTILIZER)	(90)	(20)	(50)
(CIP, EX. POL & FERT.)	(197)	(26)	(40)
(PL-480)	(203)	(5)	(30)
(OTHER DONORS)		(26)	(8)
INVISIBLES	86	30	55

C. CHANGE IN RESERVES PLUS 37 MINUS 29 MINUS 44

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 SAIGON 03547 02 OF 02 262249Z

D. RESERVES, END YEAR (SEE FOOTNOTE) 253

FOOTNOTE:

NBVN AND COMMERCIAL BANK FOREX, GOLD (\$42/OZ), SDRS, IMF GOLD

TRANCHE, BLOCKED FRENCH FRANCS.

LEHMANN

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, AIDE MEMOIRE, FINANCIAL TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SAIGON03547
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750106-0621
From: SAIGON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750399/baaaaubz.tel
Line Count: 394
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 28 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 JUL 2003 by KelleyW0>; APPROVED <20 NOV 2003 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EFIN, VS, IMF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006